Trade and Agriculture
What's at Stake for California?

U.S. Department of Agriculture
Foreign Agricultural Service
October 2001

California is the largest producer of agricultural products and the top exporting State. In 2000, the State's cash farm receipts totaled $25.5 billion. California ranked 1st among all 50 states in 2000 with agricultural exports estimated at $7.6 billion. These exports help boost farm prices and income, while supporting about 108,680 jobs both on and off the farm in food processing, storage, and transportation. Exports are important to California's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 30 percent in 2000.

California's top five agricultural exports in 2000 were:

- vegetables -- $2.2 billion
- fruits -- $1.7 billion
- tree nuts -- $872 million
- cotton -- $328 million
- live animals and red meat -- $203 million

World demand for these products is increasing, but so is competition among suppliers. If California's farmers, ranchers, and food processors are to compete successfully for the export opportunities of the 21st century, they need *fair trade* and *more open access* to growing global markets.

California Benefits From Trade Agreements

California is already benefitting from a number of agricultural trade agreements. While there is still much to be done, examples of market opportunities for California include:

- California benefitted from the Uruguay Round agreement when Japan lowered tariffs on most fresh and processed vegetables to between 3 to 9 percent by 2000, and South Korea committed to lower tariffs on many vegetable products by 2004. Supported in part by falling tariffs, U.S. exports of several vegetables to Japan increased: between 1995 and 2000, fresh broccoli sales rose 63 percent to $59 million, and fresh celery sales jumped 85 percent to $2.4 million.

  As one of the nation's two leading fresh tomato producers, California benefitted from an agreement with Japan that lifted all remaining restrictions on fresh U.S. tomatoes in 1999. As a direct result, U.S. fresh tomato exports to Japan skyrocketed from less than $25,000 to more than $3.9 million in 2000.

As the nation’s largest fruit-growing state, California benefits from the Uruguay Round agreement as Japan and South Korea make substantial tariff reductions on a wide range of fresh and processed fruits. From 1995 to 2000, Japan lowered its tariffs on fresh oranges to 16 percent (out-of-season) and 32 percent (in-season), and its tariffs on fresh grapefruit to 10 percent. During the same period, Japan lowered its tariffs to 23 percent on fruit juices containing not more than 10-percent sucrose by weight. U.S. exports of these juices increased 67 percent since 1995, reaching $29 million in 2000.

South Korea established a tariff-rate quota for oranges, and is reducing its tariffs from 99 to 50 percent by 2004. As tariffs fall, U.S. orange exports have increased more than sevenfold from $5.2 million in 1995 to $38.8 million in 2000. South Korea is also reducing its lemon tariffs to 30 percent, and its tariffs on fresh grapefruit from 50 to 30 percent by 2004. U.S. total fresh citrus exports to Korea jumped 142 percent from $20.9 million in 1995 to $50.6 million in 2000.

Under the North American Free Trade Agreement (NAFTA), Mexico eliminated its tariffs on fresh U.S. pears, quinces, plums, prunes, and apricots in 1998. U.S. exports of pears and quinces rose from $26.6 million in 1998 to $42.2 million in 2000. U.S. exports of fresh plums and prunes rose from $3.5 million to $4.4 million during the same period.

Under the Uruguay Round agreement, the European Union (EU) reduced tariffs on wine by 20 percent, and Japan reduced its tariffs by 15 to 21.3 percent. U.S. wine exports to the EU rose more than threefold from its 1995 level, reaching $293 million in 2000. Likewise, U.S. wine exports to Japan doubled during the same period, reaching $66 million. Under the 1989 U.S.-Canada Free Trade Agreement, Canada reduced its cost-of-service mark-up on U.S. wines. U.S. exports of wine and products to Canada rose from $19 million in 1989 to $104 million in 2000.

California is the nation’s largest tree nut producer. Under the Uruguay Round agreement, California benefitted when Japan cut tariffs on almonds and other nuts from 1995 to 2000. South Korea, Thailand, and Malaysia are doing likewise. U.S. in-shell walnut exports to Japan rose threefold, reaching $9.4 million in 2000. U.S. in-shell walnut sales to South Korea increased from $1.8 million to $3.2 million during the same period. U.S. almond sales to Thailand rose from $652,000 in 1995 to $862,000 in 2000.

California benefits under NAFTA with rules of origin that increased demand for U.S. textiles in Canada and Mexico. Mexico’s 10-percent tariff on cotton will be eliminated by 2003. This tariff reduction supports U.S. cotton exports to Mexico, which rose from 558,000 bales to 1.5 million bales from marketing year 1995 to 2000.

Under the Uruguay Round agreement, Japan opened its market to 375,000 tons of imported rice in 1995, which expanded to a 682,200-ton tariff-rate quota by 2000. As a result, Japan has emerged as one of the largest export markets for U.S. rice, with sales increasing from $31 million in 1995 to $120 million in 2000. The United States has supplied about half Japan’s rice imports since 1995, and the country is the top destination for U.S. medium- and short-grain rice.

Under NAFTA, tariff preferences have helped to increase U.S. market share for rice in Mexico, from 79 percent in 1994 to nearly 100 percent in 1999. From 1994 to 2000, the value of U.S. rice exports to Mexico increased from $68 million to $102 million.